

# **GENCAN CAPITAL INC.**

## **Financial Statements**

**Years Ended September 30, 2019 and 2018**

*(Expressed in Canadian Dollars)*



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## Independent Auditor's Report

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To the Shareholders of Gencan Capital Inc.

### Opinion

We have audited the financial statements of Gencan Capital Inc. (the Entity), which comprise the statements of financial position as at September 30, 2019 and 2018, and the statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information. The other information comprises:

- The information included in the Management Discussion & Analysis and the Management Information Circular.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management Discussion & Analysis and the Management Information Circular prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.



## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Bradley Tagieff, CPA, CA.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants  
January 21, 2020  
Toronto, Ontario

**Gencan Capital Inc.**  
**Statements of Financial Position**  
**As at September 30, 2019 and 2018**

	<i>Notes</i>	September 30 2019	September 30 2018
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 556,560	\$ 894,000
Accounts receivable		3,524	2,007
Prepaid expenses and deposits		517	602
Income taxes recoverable	8	38,093	-
<b>Total assets</b>		<b>\$ 598,694</b>	<b>\$ 896,609</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 18,390	\$ 31,419
Income taxes payable	8	-	179,485
		18,390	210,904
<b>Shareholders' Equity</b>			
Capital stock	7	10	10
Retained earnings		580,294	685,695
<b>Total shareholders' equity</b>		<b>580,304</b>	<b>685,705</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 598,694</b>	<b>\$ 896,609</b>

Approved on behalf of the Board:

“Fred A. Litwin” \_\_\_\_\_ Director

“Stan Abramowitz” \_\_\_\_\_ Director

See accompanying notes to the financial statements

# Gencan Capital Inc.

## Statements of Income (Loss) and Comprehensive Income (Loss) For the years ended September 30, 2019 and 2018

	Notes	Year Ended September 30	
		2019	2018
<b>Revenue</b>			
Solar energy generation	10(e)	\$ -	\$ 333,162
Interest income		6,259	1,562
		<u>6,259</u>	<u>334,724</u>
<b>Expenses</b>			
Administrative and general	12	149,753	180,353
Amortization	5	-	81,504
Interest	6, 12	-	62,472
Operating costs	12	-	72,654
		<u>149,753</u>	<u>396,983</u>
<b>Gain on sale of solar equipment</b>	5	-	823,993
<b>Income (loss) before income taxes</b>		<u>(143,494)</u>	<u>761,734</u>
Income taxes (recovery)			
Current		(38,093)	179,485
Deferred		-	(27,550)
	8	<u>(38,093)</u>	<u>151,935</u>
<b>Income (loss) for the period, also being comprehensive income (loss)</b>		<u>\$ (105,401)</u>	<u>\$ 609,799</u>
<b>Income (loss) per share</b>			
Basic and diluted	9	\$ (0.01)	\$ 0.04
<b>Weighted average number of common shares</b>			
Basic and diluted	9	16,092,284	16,092,284

See accompanying notes to the financial statements

# Gencan Capital Inc.

## Statements of Changes in Equity

For the years ended September 30, 2019 and 2018

	Capital Stock		Retained Earnings	Total Equity
	Common shares			
	Number of shares	Amount		
Balance at September 30, 2017	16,092,284	\$ 10	\$ 75,896	\$ 75,906
Net income	-	-	609,799	609,799
Balance at September 30, 2018	16,092,284	\$ 10	\$ 685,695	\$ 685,705
Balance at September 30, 2018	16,092,284	\$ 10	\$ 685,695	\$ 685,705
Net loss	-	-	(105,401)	(105,401)
Balance at September 30, 2019	16,092,284	\$ 10	\$ 580,294	\$ 580,304

See accompanying notes to the financial statements

**Gencan Capital Inc.**  
**Statements of Cash Flows**  
**For the years ended September 30, 2019 and 2018**

	<i>Notes</i>	<b>2019</b>	<b>2018</b>
<b>Operating activities</b>			
Net income (loss)		\$ (105,401)	\$ 609,799
<b>Adjustments to reconcile net loss to net cash flows:</b>			
Amortization	5	-	81,504
Current income taxes (recovery)	8	(38,093)	179,485
Deferred income taxes	8	-	(27,550)
Deferred rent		-	(1,210)
Gain on sale of solar equipment	5	-	(823,993)
Income taxes paid		(179,485)	-
Interest expense	6, 12	-	62,472
		(322,979)	80,507
<b>Changes in non-cash components of working capital:</b>			
Accounts receivable		(1,517)	93,919
Prepaid expenses and deposits		85	16,836
Accounts payable and accrued liabilities		(13,029)	(25,577)
		(337,440)	165,685
<b>Net cash flows from (used in) operating activities</b>			
<b>Financing activities</b>			
Interest paid	6, 12	-	(62,472)
		-	(62,472)
<b>Net cash flows used in financing activities</b>			
<b>Investing activities</b>			
Proceeds from sale of solar equipment (see non-cash items below)	5	-	577,030
Costs incurred on sale of solar equipment		-	(33,389)
		-	543,641
<b>Cash flows from investing activities</b>			
		(337,440)	646,854
<b>Net increase (decrease) in cash</b>			
		894,000	247,146
<b>Cash and cash equivalents, beginning of period</b>			
		\$ 556,560	\$ 894,000
<b>Cash and cash equivalents, end of period</b>			
<b>Non-cash items:</b>			
Gross proceeds from sale of solar equipment	5	\$ -	\$ 2,635,000
Assumption of loan payable by purchaser of solar equipment	5, 6	-	(2,057,970)
		\$ -	\$ 577,030

See accompanying notes to the financial statements

# Gencan Capital Inc.

## Notes to the Financial Statements

For the years ended September 30, 2019 and 2018

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### 1. NATURE OF OPERATIONS

#### *Nature of operations*

Gencan Capital Inc. (“the Company”) is a Canadian company and up until July 4, 2018 was the holder of a Solar Energy Feed-In Tariff Program Contract with interests in solar energy generation equipment located in Ontario, Canada. The Company was incorporated on October 31, 2013, and has its registered office address at 106 Avenue Road, Toronto, Ontario, M5R 2H3.

On October 30, 2015, pursuant to a Plan of Arrangement between the Company and Genterra Capital Inc. (“GCI”), the Company was spun-off as a public company and its shares were listed on the Canadian Securities Exchange under the symbol “GCA”. GCI currently retains a 78% controlling interest in the Company.

On July 4, 2018, the Company sold its solar equipment to Highroad Estates Inc. (“Highroad”), a company of which certain directors and officers are also directors and officers of the Company, for gross proceeds of \$2,635,000. See Note 5.

### 2. BASIS OF PREPARATION

#### (a) Statement of compliance

The Company prepares financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The policies applied in these financial statements are based on IFRS issued and effective as of September 30, 2019.

These financial statements were authorized for issue by the Board of Directors on January 21, 2020.

#### (b) Functional currency

These financial statements are presented in Canadian dollars, the Company’s functional currency.

#### (c) Basis of measurement

These financial statements are prepared on the historical cost basis.

#### (d) Critical judgements in the application of accounting policies

The following are the critical judgements that have been made in applying the Company’s accounting policies and that have the most significant effect on the amounts in the financial statements:

**Leases:** The Company’s policy for leases is described in note 3(e). In applying this policy, the Company makes judgements in determining whether its leases are operating or finance leases. The Company has determined that all of its leases were operating leases. No leases are outstanding as of September 30, 2019.

**Equipment:** The Company’s policy for equipment is described in note 3(c). In applying this policy, the Company makes judgements in determining whether certain costs are additions to the carrying amount of the equipment. Judgement is also applied in determining whether an impairment in value exists at each reporting date. The Company has determined that an impairment in value does not exist as there was no equipment remaining as of September 30, 2018 and 2019.

**Transactions with shareholders:** The Company makes judgements in determining whether a transaction with shareholders is in their capacity as shareholders, which would be recorded as a separate component in equity. The Company has determined that the sale of the solar equipment was not a transaction with shareholders in their capacity as shareholders and has recorded the gain on sale in the statement of income and comprehensive income.



# Gencan Capital Inc.

## Notes to the Financial Statements

For the years ended September 30, 2019 and 2018

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**Deferred income taxes:** The Company's policy for deferred income taxes is described in note 3(i). In applying this policy, the Company makes judgements in determining whether the recoverability of deferred income tax assets is probable.

**Impairment of financial assets:** The Company's policy for the recognition of an impairment of financial assets is described in note 3(c). In applying this policy, the Company makes judgements in determining whether an event has occurred to cause the value of the underlying asset to become impaired. The Company has determined that none of its financial assets are impaired.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise of cash at banks and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

#### (b) Foreign currencies

Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at period end rates are recognized in the statements of income and comprehensive income.

#### (c) Equipment

Equipment is stated at the lower of cost, net of accumulated amortization, and its recoverable amount. Equipment is reviewed for indicators of impairment at the end of each reporting period. If it is determined that the net recoverable amount of Equipment is less than its carrying value, the Equipment is written down to its recoverable amount. The recoverable amount of Equipment is the higher of fair value less costs to sell and its value in use. Fair value is determined as the amount that would be obtained from the sale of the Equipment in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows of Equipment is discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the Equipment. Any impairment in value of Equipment is recorded in the statements of income and comprehensive income. Where an impairment loss of Equipment subsequently reverses, the carrying amount is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years. A reversal of an impairment loss on Equipment is recognized immediately in the statements of income and comprehensive income.

All Equipment was disposed of during the year ended September 30, 2018. See Note 5.

Amortization was being provided for over the estimated useful life of Equipment as follows:

Solar Energy Generation Equipment:

Solar modules and racking

straight-line over twenty years

Energy transformer

straight-line over ten years

#### (d) Financial instruments

The Company's financial assets and liabilities include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities.

#### Classification of financial instruments:

The Company's financial assets and liabilities can be classified into any of the following specified categories: i) financial assets at amortized cost, ii) financial assets at fair value through profit and loss ("FVTPL"), iii) financial assets at fair value

# Gencan Capital Inc.

## Notes to the Financial Statements

For the years ended September 30, 2019 and 2018

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through other comprehensive income (“FVOCI”), iv) financial liabilities at FVTPL and v) financial liabilities at amortized cost. The classification depends on the nature and purpose of the financial assets and liabilities and is determined at the time of initial recognition. Cash and cash equivalents and accounts receivable were classified as loans and receivables under IAS 39, but are now classified as amortized cost under IFRS 9. Accounts payable was classified as other financial liabilities under IAS 39, but is now classified as amortized cost under IFRS 9.

**Amortized cost:** The Company’s financial assets classified as amortized cost include cash and cash equivalents and accounts receivable.

(i) Cash and cash equivalents are initially recognized at the fair value that is directly attributable to the acquisition or issue. They are carried in the statements of financial position at amortized cost using the effective interest rate method. The Company does not hold any asset backed commercial paper.

(ii) Accounts receivable consist of interest receivable and sales taxes recoverable. These are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. They are initially recognized at the fair value that is directly attributable to their acquisition or issue and subsequently carried at amortized cost using the effective interest rate method. The effect of discounting on these financial instruments is not considered to be material. All other gains or losses are recognized when the instrument is removed from the statement of financial position.

The Company’s financial liabilities classified as amortized cost include accounts payable and accrued liabilities.

(i) Accounts payable and accrued liabilities consist primarily of trade payables. They are initially recognized at the fair value that is directly attributable to their acquisition or issue and subsequently carried at amortized cost using the effective interest rate method. The effect of discounting on these financial instruments is not considered to be material.

### **Fair value of financial instruments:**

Financial instruments that are recorded at fair value on the statements of financial position or disclosed at fair value in the notes to the financial statements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company does not have any financial instruments which are measured at fair value. See Note 10(f) for fair value disclosures of financial instruments.

### **Impairment of financial assets:**

IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss (“ECL”) model. This applies to financial assets measured at amortized cost. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

Under IAS 39, accounts receivable would first be provisioned for when it is deemed that the collection is unlikely. Upon adoption of IFRS 9, the Company measures the loss allowance at an amount equal to the lifetime ECL that results from possible default events over the expected life of accounts receivables and unbilled service revenue. The Company uses a provision matrix to measure the lifetime ECL of accounts receivable and unbilled service revenue from individual customers which accounts for exposures in different customer classes.

For an explanation of how the Company applies the impairment requirements of IFRS 9, see Note 10(e).

# Gencan Capital Inc.

## Notes to the Financial Statements

For the years ended September 30, 2019 and 2018

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**(e) Leases**

Where substantially all of the risks and rewards incidental to ownership of a leased asset has been transferred to the Company (“Finance Lease”), the asset is treated as if it had been purchased. The amount initially recognized as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are then allocated between capital repayment and interest expense which is charged to the statement of income and comprehensive income over the period of the lease. Where substantially all of the risks and rewards incidental to ownership of a leased asset are not transferred to the Company (“Operating Lease”), the total rents payable in the lease are charged to expense on a straight-line basis over the term of the lease.

**(f) Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

**(g) Revenue recognition**

The Company currently does not earn any revenue. Prior to disposal of the solar generation equipment (see Note 5), revenue from solar energy generation equipment was recognized as produced and delivered to the local utility.

**(h) Interest income**

Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate.

**(i) Income taxes**

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. This amount is measured using tax rates that have been enacted or substantively enacted at the end of the year.

The Company follows the asset and liability method of accounting for deferred income taxes. Under this method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying value and tax basis of assets and liabilities and the benefit of tax losses available to be carried forward for tax purposes.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. Deferred income tax assets are recorded in the financial statements if realization is considered probable. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the year that the rate changes.

**(j) Earnings per share**

Basic earnings per common share is calculated by dividing the earnings attributed to common shareholders for the year by the weighted average number of common shares outstanding in the year. Diluted earnings per common share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. The Company does not have any potential common shares issuable.

# Gencan Capital Inc.

## Notes to the Financial Statements

For the years ended September 30, 2019 and 2018

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### (k) Segment reporting

A segment is a component of the Company that: i) engages in business activities from which it may earn revenue and incur expenses, ii) whose operating results are reviewed by the board of directors, and iii) for which discrete financial information is available. Management of the Company has identified one reportable industry segment, corporate matters, with all assets located in Ontario, Canada.

### (l) New accounting standards adopted

IFRS 9, *Financial Instruments: Classification and Measurement*, introduces new requirements for the classification and measurement of financial instruments, a single forward-looking expected loss impairment model and a substantially reformed approach to hedge accounting. On adoption of IFRS 9, in accordance with its transitional provisions, the Company has not restated prior periods but has reclassified the financial assets held at October 1, 2018, retrospectively, based on the new classification requirements and the characteristics of each financial instrument as at the transition date. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements. The Company did not choose the option of designating any financial liabilities at fair value through profit or loss (FVTPL) as such, the adoption of IFRS did not impact the Company's accounting policies for financial liabilities. The adoption of IFRS 9 did not have a material impact to the Company.

IFRS 15, *Revenue Recognition*: provides for a single, comprehensive revenue recognition model for all contracts with customers. It contains a single principles based five step approach that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. It also contains new disclosure requirements. The adoption of IFRS 15 did not have a material impact to the Company.

### (m) New accounting standards not yet effective

IFRS 16, *Leases*: introduces a new standard replacing IAS 17 Leases, that results in bringing many leases on balance sheet that are considered operating leases under IAS 17. Lessor accounting remains largely unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 has also been applied. The adoption of IFRS 16 is not expected to have a material impact to the Company.

## 4. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- (i) the recoverability of accounts receivable and prepayments totaling \$4,041 (2018: \$2,609); and
- (ii) the provision for income taxes expense of \$38,093 recovery (2018: \$151,935 expense).

# Gencan Capital Inc.

## Notes to the Financial Statements

For the years ended September 30, 2019 and 2018

### 5. EQUIPMENT

	Solar modules and racking	Energy transformer	Total
<b>Cost</b>			
Balance - September 30, 2017	\$ 2,094,832	\$ 124,300	\$ 2,219,132
Disposals - July 2018	(2,094,832)	(124,300)	(2,219,132)
Balance - September 30, 2018 and 2019	\$ -	\$ -	\$ -
<b>Accumulated amortization</b>			
Balance - September 30, 2017	\$ 303,444	\$ 35,672	\$ 339,116
Amortization to July 2018	72,930	8,574	81,504
Adjustment on disposal - July 2018	(376,374)	(44,246)	(420,620)
Balance - September 30, 2018 and 2019	\$ -	\$ -	\$ -
<b>Net book value</b>			
September 30, 2018	\$ -	\$ -	\$ -
September 30, 2019	\$ -	\$ -	\$ -

On July 4, 2018, the Company completed the sale of its solar equipment to Highroad for gross proceeds of \$2,635,000. Part of the consideration was paid by the assumption of the loan payable to GCI of \$2,057,970 with the balance of \$577,030 received in cash. Costs of \$33,389 were incurred in the sale along with the reduction in the net book value of the equipment of \$1,798,512 and prepaid expenses of \$5,175 offset by the reversal of deferred rent of \$26,069 for a net gain of \$823,993.

### 6. LOAN PAYABLE

A loan payable of \$2,057,970 bearing interest at 4% per annum was due to GCI on August 1, 2019 and was assumed by the purchaser of the solar equipment on July 4, 2018 (see Note 5).

### 7. CAPITAL STOCK AND EQUITY

#### Capital stock

##### *Authorized*

Unlimited Common shares, no par value

##### *Issued and outstanding*

16,092,284 Common Shares (2018: 16,092,284)

September 30	
2019	2018
\$ 10	\$ 10

# Gencan Capital Inc.

## Notes to the Financial Statements

For the years ended September 30, 2019 and 2018

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### 8. INCOME TAXES

The income of the Company is subject to income tax at a combined federal and provincial rate of 26.5%. The difference between the Company's effective tax rate and the combined statutory tax rate is due to the non-taxable portion of capital gains related to the sale of the Company's solar equipment in July 2018.

	For the years ended September 30	
	2019	2018
Net income (loss) before income taxes	\$ (143,494)	\$ 761,734
Statutory combined income tax rates	26.50%	26.50%
Income tax expense (recovery) computed at statutory tax rates	(38,093)	201,860
Decrease in income tax resulting from:		
Non-taxable portion of capital gains	-	(49,925)
Total income tax expense (recovery)	\$ (38,093)	\$ 151,935

Deferred income tax is calculated using a tax rate of 26.5%. The Company does not have any tax effects of temporary differences that give rise to significant portions of the deferred income tax assets or liabilities.

### 9. EARNINGS (LOSS) PER SHARE

- (a) Basic earnings (loss) per share is calculated by dividing the net income (loss) attributable to common shareholders by the weighted average number of common shares in issue during the period.

	For the years ended September 30	
	2019	2018
Net income (loss) for the year	\$ (105,401)	\$ 609,799
Weighted average number of common shares (see Note 7)	16,092,284	16,092,284
Basic and diluted income (loss) per share	\$ (0.01)	\$ 0.04

- (b) Diluted earnings per share is the same as basic income per share as there are no potential common share issuances.

# Gencan Capital Inc.

## Notes to the Financial Statements

For the years ended September 30, 2019 and 2018

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### 10. FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. The Company is exposed to various risks as it relates to these financial instruments. The risks and processes for managing the risks are set out below:

#### (a) Liquidity risk

Liquidity risk arises from the Company's management of working capital and principal repayments on its debt obligations. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's objective is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this goal the Company seeks to maintain cash balances to meet expected requirements for a period of twelve months. At the date of the statement of financial position, the Company expected to generate sufficient liquid resources to meet its obligations under all reasonable expected circumstances.

Accounts payable and accrued liabilities are due within one year.

The Company's major contractual obligations in the subsequent twelve-month periods are as follows:

	2020	2021	2022	2023	2024	Thereafter	Total
Accounts payable and other liabilities	\$ 18,390	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,390
	<u>\$ 18,390</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,390</u>

#### (b) Foreign exchange risk

Currency risk is the risk that a variation in exchange rates between the Canadian dollar and foreign currencies will affect the Company's operating and financial results. Any currency gains or losses are included in the consolidated statements of income and comprehensive income.

At September 30, 2019, the Company had no monetary asset or liabilities, other than US\$440 in cash, denominated in foreign currencies and had no outstanding foreign exchange commitments. The Company does not undertake currency hedging activities.

#### (c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company has not used derivative financial instruments to alter its exposure to interest rate risk.

As of September 30, 2019, the Company has not exposed itself to fluctuations in interest rates that are inherent in such a market.

# Gencan Capital Inc.

## Notes to the Financial Statements

For the years ended September 30, 2019 and 2018

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**(d) Other price risk**

Other price risk is the risk that the market value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Company does not have any financial instruments subject to this risk.

**(e) Concentration of credit risk**

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivables. The Company does not have any significant amounts outstanding which are past due or impaired.

Cash is maintained at one financial institution. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and therefore bear minimal credit risk. Any interest due is included with accounts receivable.

**(f) Fair value of financial assets and liabilities**

*Fair Value Measurement*

The Company does not have any financial assets or liabilities which are measured at fair value.

*Fair Value Disclosures*

Fair value represents management's estimates of the market value at a given point in time, which may not reflect fair value in the future. These calculations are subjective in nature, involve uncertainties and are a matter of judgement and therefore cannot be determined with precision.

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their respective fair values due to the short-term nature of these instruments.

## 11. CAPITAL RISK MANAGEMENT

The Company's primary objective when managing capital is to create and maximize shareholder value. Subsequent to the sale of its solar energy generation equipment, the Company continues to evaluate potential new business prospects.

The Company considers its total capitalization to consist of Common share capital and accumulated retained earnings. Management reviews its capital management approach on an ongoing basis.

As at September 30, 2019 the Company did not have any externally imposed capital requirements.

The following table provides a summary of certain information with respect to the Company's capital structure and financial position as at September 30, 2019 and 2018:

	September 30	
	2019	2018
Shareholders' equity	\$ 580,304	\$ 685,705
	\$ 580,304	\$ 685,705



# Gencan Capital Inc.

## Notes to the Financial Statements

For the years ended September 30, 2019 and 2018

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### 12. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, Officers of the Company, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

The Company entered into transactions and had outstanding balances with various companies related by virtue of common ownership and management. These transactions were in the normal course of operations and were measured at the amount of consideration established and agreed to by the related parties.

Significant related party transactions and balances not disclosed elsewhere in these financial statements are as follows:

The Company's solar energy generation project was located on the roof of a property owned by GCI. The roof was being rented by the Company from GCI for \$52,813 per annum ending in August 2034. This lease was assumed by Highroad on the purchase of the Company's solar equipment (see Note 5).

The Company had entered into an agreement with Highroad to manage this operation for \$60,000 per annum. This agreement was suspended on the purchase of the Company's solar equipment by Highroad (see Note 5).

The Company has entered into an administrative services agreement with GCI for \$6,000 per annum.

Under the above agreements, management fees of \$Nil (2018: \$45,667) were charged by and paid to Highroad and rent of \$Nil (2018: \$40,178) and administrative services fees of \$6,000 (2018: \$6,000) were charged by and paid to GCI.

Director's fees of \$50,000 (2018: \$50,000) were paid to independent directors.

Loan payable at September 30, 2019 of \$Nil (September 30, 2018: \$Nil) was payable to GCI and due August 1, 2019 bearing interest at 4% per annum. During the year ended September 30, 2019, \$Nil (2018: \$62,472) of interest was charged and paid under this loan. In July 2018, the full amount of loan payable was assumed by Highroad on the purchase of the Company's solar equipment (see Note 5).

The Company did not directly pay any remuneration to key management (other than to independent directors as noted above) for the year ended September 30, 2019 and 2018. Key management remuneration (other than director's fees) is included in the above management and administration fees paid to GCI.